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THE TAFTA / TTIP AND AGRICULTURE: MAKING OR BREAKING THE TACKLING OF GLOBAL FOOD AND ENVIRONMENTAL CHALLENGES?

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Abstract: *The recently commenced negotiations on a transatlantic free trade area (TAFTA / TTIP) are likely to have an impact on transatlantic and global agricultural and environmental regulation. The potential for developing a global trade regime that is able to face the pressing global food and environmental challenges of today and tomorrow, such as food security and climate change, depends to a large degree on whether the two major global players are able to arrive at concerted efforts to address them. This article will show how EU and US values and policy paradigms related to food and agriculture have developed over the last decade and are likely to affect the prospects for a TAFTA / TTIP. The more convergent the developments on either side of the Atlantic, the better the chances of (1) arriving at a TAFTA / TTIP, without agricultural issues such as genetically modified organisms (GMO) and non-tariff barriers impeding the endeavour, and (2) the trade agreement being conducive to tackling global food and environmental challenges. This way the article investigates whether a TAFTA / TTIP is likely to enhance the prospects that the world can be fed in the future and a sustainable planet is possible.*

INTRODUCTION: SETTING THE SCENE

Negotiations on a transatlantic free trade agreement commenced in July 2013. These are expected to be comprehensive, covering virtually all aspects of EU-US trade. Economists are now commenting on the great benefits this will entail for industries on both sides of the Atlantic. At the same time, it is an issue of debate whether the TAFTA / TTIP is an alternative for multilateral negotiations or rather complements them. The optimistic view is that the negotiations will result in global standards for trade and investments and

solve a range of issues that are currently stalling the multilateral negotiations within the World Trade Organization (WTO). TAFTA / TTIP would then provide a basis for future multilateral cooperation. This view will only hold though, if the negotiators succeed in tackling sensitive issues, such as agriculture. Furthermore, these solutions subsequently have to be acceptable to their trading partners in the WTO if they are to affect the prospects for future multilateral solutions.

This article will focus on agriculture. First of all because experience to date indicates that the interconnected fields of agriculture and trade have been the subject of intense transatlantic conflict-potential. Secondly, because it is particularly through concerted agricultural trade policy that major societal challenges at a global level, such as food security and environmental sustainability, can be effectively addressed.

The idea of a transatlantic free trade agreement is not new. It was also considered in the 1990s. However, sharp differences in EU and US agricultural support measures and major transatlantic disputes over export subsidies, beef hormones and GMO seeds and foods, proved to be insurmountable obstacles at the time (Schott & Oegg 2001, 745). Currently, agricultural issues are again expected to complicate the negotiations (Grueff 2013; Trachtenberg 2012). A question of major importance, therefore, is whether the contentious agricultural issues of the 1990s are still likely to pose similar problems now. Much will depend on the degree to which EU and US agricultural paradigms and policies have converged over the last two decades. Both actors reformed their agricultural policies repeatedly since the 1990s. If these measures have resulted in substantial convergence, then the odds of arriving at a successful TAFTA / TTIP agreement increase, as

well as the prospects that the EU and the US could set powerful precedents that can be followed at the multilateral level.

In the remainder of this paper I will first compare and contrast agricultural policy paradigms and reforms on both sides of the Atlantic. I will subsequently elaborate on a number of major outstanding issues, such as hormone beef and GMOs. The final section will reflect on the consequences of these developments on both sides of the Atlantic for the prospects of and potential effects of a successful TAFTA I TTIP.

TWO DECADES OF AGRICULTURAL POLICY REFORM IN THE EU AND THE US

In the area of agriculture, three important paradigms need to be distinguished. These paradigms are frameworks of cognitive ideas about how the world is put together and normative ideas of what implications these should have for public policy. The dependent agricultural paradigm advocates state intervention and special treatment of the agricultural sector, while the rivaling competitive paradigm promotes subjecting agricultural trade to market-forces. Finally, the multifunctional paradigm emphasizes the multiple environmental and social functions of farming for which farmers should be rewarded

(Garzon 2006; Daugbjerg & Swinbank 2009). The three different paradigms implicate different farm policies, which are illustrated by the development of agricultural policy on both sides of the Atlantic.

After World War II, the dominant view was that agricultural production needed to be stimulated to ensure food security. In line with the dependent paradigm, it was argued that the farm sector deserved governmental intervention and support, because it had to cope with unpredictable natural conditions and inelastic prices. Over the years, the US started to move toward a more competitive paradigm (Skogstad 1998). It allowed market-forces to operate to a larger degree in the sector and replaced the trade-distorting price support with direct income support. By completely decoupling such income support from production in the 1996 Farm Bill, farmers' production decisions became less dependent on governmental policy and instigated by market prices instead. The policies were partly reversed in the 2002 Farm Bill. This bill did not only maintain the (originally transitory) direct income payments at a constant level, but also extended them to more crops. Furthermore, the ad hoc emergency payments granted to farmers in 1998 were now institutionalized through the introduction of so-called coun-



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ter-cyclical payments: payments that automatically increase when market prices drop. The trend to lower farm subsidies was thus curtailed. Robert L. Thompson (2005) argues that this represents a complete ideological turnaround away from market-orientation, increasing the trade distorting impact of US agricultural policies. Naturally, this weakened the US negotiating position in the WTO Doha Development Round. Currently, the US Senate and House of Representatives are trying to reach agreement on a new Farm Bill. While the exact outcome is not yet clear, budget pressures ensure substantial cuts and are likely to result in a scaling down of support measures.

The EU's Common Agricultural Policy (CAP) moved in the direction of the multifunctional paradigm in the 1990s, rather than the competitive paradigm (Skogstad 1998; Garzon 2006). Two decades after the US transition to income payments, the EU followed suit in the 1992 MacSharry reforms. It was particularly the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT) that instigated this shift from price to income support. In this GATT agreement, price support and export subsidies were labelled 'trade distorting' and had to be reduced. Income payments, however, were not subject to reductions, because they were not assumed to have a substantial negative impact on trade. By shifting to direct income payments, the EU could thus make its agricultural policy GATT-proof. The EU's legitimization of the direct payments reflects a multifunctional paradigm. The agricultural sector does not only provide food production, it was argued, but also performed multiple environmental and social functions (supporting rural culture, animal welfare, etc.). These services were not reflected in market prices and should therefore be rewarded through public policy. Subsequent CAP reforms further decreased export subsidies and price support, while decoupling the direct income payments from production. Market-forces thus also became increasingly important in EU agriculture. Considering the Commission's focus during the latest CAP post-2013 reform debate on the public goods that European agriculture provides and for which it should be rewarded, the multifunctionality paradigm is still very much alive in the EU though.

The increasing global importance of the issue of sustainability resulted in the introduction of the first agri-environmental measures in the 1980s and 1990s on both sides of the Atlantic. But US and EU policies differ in two important respects. First, US policies are aimed at reducing negative externalities of agriculture, such as soil erosion and water pollution by compensating farmers for taking land out of production. The EU, alternatively, focuses on expanding positive externalities of farming (the multiple environmental functions and services mentioned earlier) and argues that this is best achieved by expanding agricultural activity. Secondly, US policies are more targeted than EU policies. Specific programs in the US focus on soil erosion and water pollution and compensation is related to output. To receive agricultural payments in the EU, it is sufficient to apply certain agricultural inputs or farming practices that are considered environmentally friendly (Baylis et al. 2008). The Commission's 'greening' proposals in the Post-2013 CAP reform sought to introduce a more transparent link between direct income payments and the delivery of environmental public goods, making 30% of the payments

dependent on implementing certain environmental measures. Their likely environmental effectiveness is questionable though (Matthews 2013). These measures, just like the multifunctionality argument used by the EU to include non-trade concerns such as environmental standards in the WTO Doha Development Round, are therefore often regarded as smoke-screens for policies that are primarily aimed at transferring money to farmers, while distorting international trade (Baylis, Rauser & Simon 2005).

While EU and US agricultural policies thus clearly converged over the last two decades, reducing governmental intervention and allowing market-forces to operate, important differences remain, both in terms of their policy paradigms and their policies. A number of specific issues are further likely to complicate the TAFTA II TTIP negotiations, to which I will now turn.

OUTSTANDING ISSUES

Two of the issues that stifled negotiations on a free trade area in the 1990s are still problematic: hormone beef and GMOs. These biotech and sanitary and phyto-sanitary (SPS) issues in WTO-speak are considered to be a potential deal-breaker (Trachtenberg 2012). Several WTO panels have decided in favour of the US in the hormone beef case. The EU rather accepts the US WTO-approved retaliatory measures, though, than lifting its import ban. The existing WTO's SPS agreement allows measures taken to protect human, animal or plant life or health on the basis of science-based evidence. The US claims there is no scientific evidence that hormone beef or GMOs endanger human or plant life or health. The EU, however applies the precautionary principle, arguing that when the possibility of harmful effects exist but scientific uncertainty remains, states are allowed to take action, such as implementing an import ban. They furthermore refer to "other legitimate factors" for such policies, including consumer concerns (Grueff 2013).

Clearly, different cultures with respect to food safety exist on both sides of the Atlantic. In the US, scientific and technical innovations are welcomed. GMOs are considered a solution to deal with the global challenge of food security (producing sufficient food to meet increasing global demand), because GMO seeds and crops enable increased production output on the same amount of land. In the EU a widely shared aversion exists against genetically engineered food and consumers prefer product labeling to know where their food has been produced and in what way (ibid.). While EU producers do not seem to be most critical of GMOs, environmental and consumer lobbies exert great pressure to bar GMO products from EU land and markets. These factors will make it difficult for the European Commission to make substantial concessions on this issue. Its discourse in public documents reflects this tough stance: "Our high level of protection here in Europe is non-negotiable" and "Tough EU laws, like those relating to hormones, or those which are there to protect human life and health, animal health and welfare, or environmental and consumer interest will not be part of the negotiations" (European Commission 2013). This will undoubtedly result in a clash in the negotiations, as the United States Trade Representative, Ron Kirk, already

indicated that an ambitious SPS chapter will be a major US demand (Corporate Europe Observatory 2013).

A new issue of discontent concerns the so-called Geographical Indications (GI). GIs represent a kind of intellectual property right based on the product's originating in a certain region within a particular country. Well-known examples are Parma ham and Roquefort cheese. The EU claims that the quality and reputation of these products are inextricably linked to the regions they originate from and cannot be transferred elsewhere. The EU demands protection of these GIs to prevent their usage by other producers. GIs proved to be an important contentious and unresolved issue in the Doha Round. However, in recently concluded free trade agreements with countries such as Korea and Singapore, the EU succeeded in ensuring a certain level of protection for GIs. Negotiations with the US, who are more critical of GIs, is likely to prove more difficult. But acceptance of GIs as an intellectual property right while excluding products that can actually be seen as generic could prove to be a way forward (Trachtenberg 2012).

THE PROSPECTS FOR AND EFFECTS OF A SUCCESSFUL TAFTA I TTIP

Compared to the 1990s, current conditions are more conducive to the successful conclusion of a TAFTA I TTIP in several respects. First of all, the multilateral Doha Development Round is totally blocked, which increases the sense of urgency for at least reaching a transatlantic agreement. Secondly, with respect to agriculture, US and EU policies have converged in the sense that they have both become increasingly market-oriented. Thirdly, EU usage of agricultural export subsidies, a major bone of contention in the 1990s, decreased so significantly that they will no longer complicate the negotiations.

As elaborated above, SPS issues are likely to become the major potential deal-breakers. Keeping the issue out of the TAFTA I TTIP seems highly unlikely, considering the US drive to have this issue resolved. Since both the EU and the US

defend very strong positions on the matter, only concessions from both sides are likely to enable agreement. A potential solution suggested by Trachtenberg (2012) is that the EU accepts the science-based method, while the US allows product-labeling.

Agri-environmental measures could also cause complications given the very different regulatory regimes on both sides of the Atlantic. To the extent that the measures are decoupled from production – which is increasingly the case – the EU and the US are likely to reach agreement relatively easily, as these measures would also be considered 'green box' measures in the WTO. It is unlikely though that the US will accept all EU measures to promote environmental public goods, as these are at least in part perceived as concealed protectionism. Since both parties will particularly aim at defending existing policies in the TAFTA I TTIP, an eventual agreement is also unlikely to raise transatlantic environmental standards. However, as these standards are relatively high in global comparison, they could be a powerful precedent for the rest of the world.

This, however, raises the question of whether an agricultural agreement in the TAFTA I TTIP is likely to provide a solution for the debate on agriculture in the WTO. On the one hand, since the EU and the US are both considered relatively protectionist in the area of agriculture, the outcome of the TAFTA I TTIP in this domain is unlikely to satisfy their WTO partners. Furthermore, the successful inclusion of its potential agri-environmental measures in the Doha Development Round would depend on their acceptance among developing states in particular, as these states opposed the inclusion of such non-trade concerns. On the other hand, considering that the other WTO trading partners can only benefit from the trade concessions in the transatlantic agreement if they to some extent accept it as a template for a multilateral agreement, they may be compelled to make concessions on agriculture. The odds of a TAFTA I TTIP enabling agreement in the Doha Development Round on agriculture thus remains uncertain, but whatever the outcome, it is unlikely to significantly contribute to global challenges of environmental sustainability.

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